



# County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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Chief Administrative Officer

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March 20, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

## **CORRECTION OF LIFE INSURANCE PREMIUM RATES FOR FLEX/MEGAFLEX EMPLOYEES OVER AGE 74 (3 VOTES)**

### **JOINT RECOMMENDATION WITH DIRECTOR OF PERSONNEL THAT YOUR BOARD:**

1. Approve corrected premium rates for the County sponsored group variable universal life insurance plan provided by the Metropolitan Life Insurance Company (MetLife) for Flex/MegaFlex participants age 75 through 94, as shown in the attached rate sheet.
2. For Flex/MegaFlex participants age 76 and above, approve County payment of the difference between the employee cost for the MetLife coverage for an individual age 75 and the cost that would otherwise apply based on each individual's actual age and the rates set forth in the attached rate sheet.
3. Instruct the Director of Personnel to take the necessary steps and make any necessary arrangements with MetLife to provide a 30 day window for employees affected by these recommendations during which the employees may re-select their MetLife coverage with the benefit of the changes set forth in Recommendations 1 and 2. It is the intent of this recommendation to allow these employees a second chance to make coverage elections, and to refund, if necessary, any excess premiums charged to these employees since the MetLife coverage took effect on January 1, 2007.
4. Instruct the County Counsel to prepare an amendment to the existing contract with MetLife as may be needed to implement these recommendations, and instruct the Chairman to sign such amendment in that event.

*"To Enrich Lives Through Effective And Caring Service"*

5. Instruct the Auditor-Controller to make the payroll systems changes necessary to implement these changes and to make refunds to the affected employees as appropriate.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On September 19, 2006 your Board approved a more permanent form of life insurance for Flex/MegaFlex participants known as "group variable universal life insurance." Unfortunately, our Board letter on this subject contained an error that requires immediate correction. We inadvertently omitted the premium rates applicable to subscribers age 75 and up. In addition, we failed to include a recommendation that the cost charged to employees in this age group be capped at the rate applicable to age 75. Consequently, the rates actually charged to employees over age 75 were higher than intended. The purpose of these recommendations is to correct this mistake retroactive to January 1, 2007 when the new MetLife coverage initially took effect.

#### **Implementation of Strategic Plan Goals**

Approval of these actions is consistent with the principles of the Countywide Strategic Plan by promoting the well being of County employees and their families by offering appropriate employee benefits.

#### **FISCAL IMPACT/FINANCING**

The new MetLife program has reduced County life insurance costs for the Flex/MegaFlex employee population by approximately 25%. This has produced a savings of approximately \$1.3 million per annum with regard to the County-paid portion of the premiums for MegaFlex participants. The recommended action would reduce this savings by an estimated \$46,000 per annum based on the participation and coverage levels as of January 2007. This cost is provided for in the Fiscal Year 2006-2007 Budget.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Although the new MetLife program is approximately 25% less expensive overall than the prior CIGNA term life insurance program, the rates applicable to persons over age 75 are actually higher under MetLife. Under both programs, the rates increase with age, but the MetLife program is designed to cover both working individuals and retired individuals up to age 95. There is, of course, a higher incidence of mortality among

older individuals, other things being equal, and that produces higher program costs for that group. Consequently, the MetLife rates increase with age up to age 95.

In contrast, the prior CIGNA program was geared solely to active County employees. The coverage stopped with an employee's termination from County service and the rate structure stopped at age 70. Relatively few employees work past age 70. Even with this difference, the MetLife rates are lower than the prior CIGNA rates up to age 75. That is, a 75 year old still pays less under MetLife than the individual would have paid under CIGNA based on last year's CIGNA rates. The crossover point occurs at age 76. That is where MetLife becomes the more expensive program, and that is the issue we are addressing with these recommendations.

Our prior recommendations on this subject fully intended that retirees and other former County employees who continue their MetLife coverage after County employment pay the full cost of the coverage at every age (up to age 95). There should be no County subsidy or other County cost associated with ex-employees. However, we did not intend to impose higher rates on current and future employees who have not separated from County service. We certainly did not intend to disadvantage employees over age 75. Therefore, we are recommending that the employee cost under the MetLife program be effectively capped at the cost applicable to a 75 year old. County-wide, this will impact approximately 18 employees at this time.

We are further recommending that a) the 18 employees in question be refunded any excess employee premium payments resulting from the approval of these recommendations, and b) they be given the opportunity to re-make their initial election with regard to the MetLife coverage. We understand that some of them may have either dropped their coverage, or waived the opportunity to increase that coverage, solely because of the high costs resulting from the mistake being corrected with these recommendations. Given the circumstances, they should have a second opportunity to make this decision.

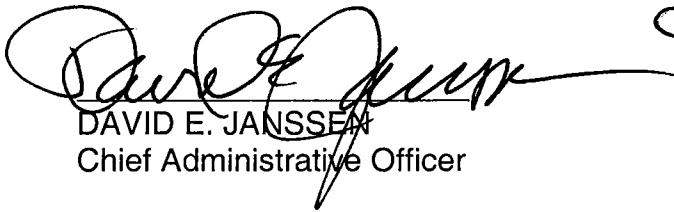
Except for the change in employee cost, the recommended second enrollment opportunity would be subject to the same limits on changes in maximum coverage amounts and the same general rules that otherwise applied during the initial enrollment which took place in October, 2006. This means that as long as the coverage cap is not exceeded, these employees could increase their coverage by any multiple of salary necessary to achieve one multiple of salary over their level of coverage in 2006. To the extent practicable, it is our intent to correct this problem retroactive to January 1, 2007 as if it never happened. MetLife fully supports this recommendation.

Honorable Board of Supervisors  
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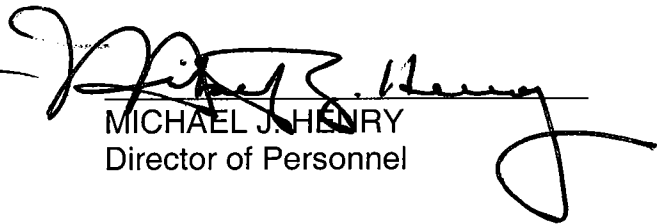
**IMPACT ON CURRENT SERVICES**

None.

Respectfully submitted,



DAVID E. JANSSEN  
Chief Administrative Officer



MICHAEL J. HENRY  
Director of Personnel

DEJ:SRH  
WGL:KAB:df

Attachment (1)

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller  
Mercer

**OPTIONAL GROUP UNIVERSAL VARIABLE LIFE INSURANCE  
2007 PREMIUM RATES FOR FLEX/MEGAFLEX PARTICIPANTS**

The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the table.

<b>Age</b>	<b>Current</b>	<b>Age</b>	<b>Current</b>
20	0.045	58	0.381
21	0.045	59	0.425
22	0.045	60	0.478
23	0.045	61	0.538
24	0.045	62	0.594
25	0.056	63	0.639
26	0.056	64	0.708
27	0.056	65	0.736
28	0.056	66	0.826
29	0.056	67	0.879
30	0.065	68	0.979
31	0.065	69	1.088
32	0.065	70	1.197
33	0.065	71	1.323
34	0.065	72	1.469
35	0.067	73	1.613
36	0.067	74	1.786
37	0.067	75	1.968
38	0.067	76*	2.186
39	0.067	77*	2.476
40	0.078	78*	2.794
41	0.079	79*	3.148
42	0.079	80*	4.064
43	0.088	81*	4.690
44	0.100	82*	5.116
45	0.111	83*	5.579
46	0.121	84*	6.078
47	0.132	85*	6.631
48	0.154	86*	7.211
49	0.164	87*	7.846
50	0.175	88*	8.526
51	0.197	89*	9.225
52	0.207	90*	9.941
53	0.228	91*	10.694
54	0.251	92*	11.465
55	0.284	93*	12.263
56	0.305	94*	13.071
57	0.338		

Employee cost for MegaFlex employees is half of the actual premium that is shown above. The County pays the other 50%.

\* For Flex/MegaFlex employees age 76-94 who remain in County service, the County will subsidize the difference between the employee's cost of coverage using the premium rate shown above for the employee's actual age and the cost for coverage using the age 75 premium rate.